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# Iowa Legislative Fiscal Bureau

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State Capitol  
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August 20, 1993

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## School Budget Review Committee

### ISSUE

The impact of School Budget Review Committee decisions on local property taxes.

### AFFECTED AGENCIES

Local School Districts

### CODE AUTHORITY

Sections 257.30 - 257.32, Code of Iowa

### BACKGROUND

The School Budget Review Committee (SBRC) is established in Section 257.30, Code of Iowa. The SBRC is comprised of 5 members. The members include the Director of the Department of Education (DE) who serves as the chairperson, the Director of the Department of Management (DOM) who serves as the secretary, and 3 members appointed by the Governor and confirmed by the Senate. The 3 appointed persons shall be knowledgeable in the areas of Iowa school finance or public finance. One of the 3 appointed persons shall possess a master's or doctoral degree in the areas of school finance, economics, or statistics.

The duties of the SBRC listed in Sections 257.31 and 257.32, Code of Iowa include:

- Recommending the revision of any rules, regulations, directives, or forms relating to school district budgeting and accounting.
- Reporting to the General Assembly any recommended changes in laws relating to school districts, specifying the number of hearings held annually, the reason for the SBRC's recommendations, information about the amounts of property taxes levied by school districts for cash reserve purposes, and other information the Committee deems appropriate.
- Reviewing the proposed budget and certified budget of each school district and making recommendations if deemed necessary.
- Granting supplemental aid to school districts for unusual or extraordinary circumstances.

- Authorizing a school district to spend a reasonable and specified amount from its unexpended cash balance for furnishing, equipping, and contributing to the construction of a new building; the demolition of an unused building; or the conversion of an unused building for community use.
- Reviewing the recommendations of the Director of the DE relating to special education weighting plans and shall establish a weighting plan for each school year.
- Determining the special education balance for each school district and certifying the balances to the Director of the DOM.
- Reviewing the cash reserve property taxes levied by each school district. If the reserves are determined to be excessive, the SBRC shall direct the Director of the DOM to adjust the school districts' property tax levies accordingly.
- Reviewing the budgets submitted by area education associations.

The 5 areas covered by SBRC decisions are:

- Approval of funding for talented and gifted programs
- Approval of funding for dropout prevention programs
- Approval of funding for unusual and extraordinary circumstances
- Approval of funding for cost overruns on building projects
- Setting special education weights for the upcoming budget year

The 5 areas listed above impact property taxes. The special education weights may impact State aid paid from the General Fund. The increase in property taxes for the last 3 years due to SBRC decisions is presented in the table below:

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Talented and Gifted	\$ 9,196,303	\$ 10,638,564	\$ 11,141,684
Dropout Prevention	9,744,768	12,280,338	14,509,191
Unusual and Extraordinary	6,581,337	4,924,943	2,903,602
Building Cost Overruns	185,000	199,219	492,111
Special Education	0	0	0
Total	<u>\$ 25,707,408</u>	<u>\$ 28,043,064</u>	<u>\$ 29,046,588</u>

The SBRC decisions for talented and gifted programs and drop out prevention programs are based on funding formulas within Sections 257.38 and 257.46, Code of Iowa. The SBRC is directed to approve these funding amounts unless it would cause a school district's cash reserve property tax levy to be excessive.

The SBRC decisions for unusual and extraordinary circumstances cover a wide variety of issues including districts requesting funding due to not properly counting open enrolled students, requesting funding for increasing enrollment, funding English as a second language beyond the 3-year weighting program allowed in Section 280.4, Code of Iowa, etc.

The SBRC impact relating to building cost overruns has increased in FY 1993 from the experience in the previous 2 years. The practice of applying to the SBRC for this type of authority recently came into question during a budget protest of the Okoboji Community School District Budget before the State Appeal Board in June 1993. The effect of a district requesting authority from the SBRC to expend general fund monies on building overruns is to deplete the cash position of the district's general fund. The part of the SBRC decision that is not clearly understood by many school districts is the SBRC does not grant a transfer from the school's general fund to the school's schoolhouse fund but instead gives a district new spending authority equal to the request. The district may levy the funds used for building overruns in the form of a cash reserve levy and replenish the school's general fund. In the Okoboji School District, the request was to spend their cash reserve so when a new building was completed the district would have funds available for cost overruns that were already identified. The State Appeal Board ruled the cash reserve levy was not needed due to other funding sources not included in the District's Budget. If requests to the SBRC for use of general funds to cover cost overruns in building projects continue to increase further review of this issue may be necessary.

The SBRC review of special education weights has become an area of concern over the past 4 years. The SBRC has reviewed the recommendations of the Director of the DE regarding special education weights. Each year the data suggests that an increase in the special education weights is warranted. The SBRC has not increased the weights for 4 years, resulting in a majority of school districts over expending their special education budgets. At the December 1992, SBRC meeting, the Director of the DE stated the weights could be held constant for 1 more year but if special education reforms were not adopted during the 1993 Legislative Session the weights would have to be increased for FY 1995. The fiscal effect of increasing special education weights is to increase a district's budget with funding coming from State aid and property taxes.

### **CURRENT SITUATION**

The SBRC continues to undertake its responsibilities regarding the previously mentioned items. In December 1993, the SBRC will review special education fund balances and determine if weights need to be increased. Special education weights have been frozen the last 4 years, and the Director of the DE has indicated an increase will probably be necessary for FY 1995.

### **ALTERNATIVES**

Possible alternatives for the SBRC include:

- Maintain the current system.
- Change the make up of the SBRC to include more State officials.
- Transfer the SBRC's responsibilities to the State Appeal Board.

- Review the SBRC's duties and change, eliminate, or add duties as deemed appropriate.
- Require districts to print notices or hold public hearings prior to coming before the SBRC.
- Direct the SBRC to adopt policies and procedures that will allow for fair, equitable, and uniform treatment of like requests put forward by different districts.

**BUDGET IMPACT**

The budget impact is dependent upon requests put forward by individual districts and any of the proposed alternatives being implemented.

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